Brascan Limited

Annual Report 1983

Brascan
LIMITED

Brascan Limited is a major natural resources, consumer products and financial services company.

Natural Resources

Brascade Resources Inc. 70%
Natural resource company

- **Noranda Mines Limited 41%**
  Mining, oil and gas, forest products and manufacturing
- **Westmin Resources Limited 63%**
  Mining, oil and gas
- **Lacana Mining Corporation 28%**
  Precious metals, oil and gas

Consumer Products

John Labatt Limited 39%
Brewing, consumer and agri products

Scott Paper Company 24%
Tissue, printing and publishing papers and forest products

Financial Services

Trilon Financial Corporation 39%
Financial services company

- **London Life Insurance Company 98%**
  Life insurance and financial services
- **Royal Trustco Limited 49%**
  Trust and financial services

Other Operations

Great Lakes Group 49%
Hydro-electric power generation and other corporate investments

Brascan Brazil 50% to 100%
Natural resources, real estate and financial services

Financial Highlights

millions	**1983**	1982
Net income	**$ 97**	$ 60
Dividends	**69**	80
Shareholders' equity	**1,260**	1,231
Total assets	**3,285**	3,365
Per ordinary share		
Net income	**$ 2.60**	$ 1.04
Dividends	**1.60**	1.80
Shareholders' equity	**34.92**	33.87
Ordinary share statistics		
Market prices		
High	**$ 40⅛**	$ 24½
Low	**18⅞**	12⅝
Year End	**38⅝**	19⅝
Average shares outstanding—millions	**26.5**	26.5
Registered shareholders	**25,879**	28,139

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President's Report

Brascan's net income for the year increased to $97 million compared to $60 million in 1982. After providing for preferred share dividends, net income per ordinary share was $2.60 compared with $1.04 in 1982.

The higher earnings for the year were the result of Noranda's improved performance and earnings increases in all other areas of operation. Overall these results are satisfactory, particularly in a year when the corporate sector was only beginning to recover from the damaging effects of the recent recession.

While 1983 brought the start of economic improvement, we continued the consolidation program begun in 1982, including a strong emphasis on productivity improvements in all areas of our operations. Most of our major goals for the year were met or exceeded and overall 1983 can be considered a good year for Brascan.

Natural Resources

Noranda has yet to benefit fully from the economic recovery which to date has been largely confined to North America. Noranda has however, substantially reduced its operating loss before asset writedowns to $6 million. During the last quarter, Noranda wrote down the carrying value of certain lower grade mining properties and other assets by $58 million after taxes. These writedowns should be considered in the context of Noranda's increasingly valuable Hemlo properties and the new pulp, aluminum and paper board facilities brought into production in 1983. With its unique and extensive assets, Noranda is well positioned to capitalize on the emerging world economic recovery.

During the year Brascade acquired Westmin Equities Limited whose assets included our 63% common share interest in Westmin Resources Limited and $100 million cash, in exchange for its own shares. This transaction accomplished our goal of combining our major natural resource assets under one entity while preserving them as widely held public companies. Notwithstanding the difficulties experienced by the natural resource sector, Westmin continued to perform well, reporting earnings of $40 million.

During 1983 Brascan and Caisse de dépôt et placement du Québec jointly subscribed for $30 million of additional common shares of Brascade to help support the continuation of dividends on Brascade's outstanding preferred shares. The various initiatives taken in 1983 enabled Brascade to end the year essentially debt-free.

Consumer Products

Labatt, Brascan's major operating company in the Canadian consumer products sector, reported earnings of $79 million, a record for the fifth consecutive year. The brewing group again held its leading market share and showed improved earnings. The packaged food group performed satisfactorily with earnings at approximately the 1982 level. In the agri products group a strong performance by Ogilvie contributed to an overall increase in earnings. Continued progress was made in broadening the company's earnings base through acquisitions and product line expansions in the packaged food and agri products groups.

Scott's earnings recovered strongly in 1983 to US$124 million. Scott's five year strategic plan, which emphasizes cost reductions and capital investment to increase productivity, is already showing a positive effect on the company's overall performance. The improved results were due largely to continued progress by the packaged products division, the strong rebound by Scott's international affiliates and excellent volume and earnings gains by the S.D. Warren division.

Financial Services

During 1983 Brascan concentrated on developing its financial service interests through Trilon Financial Corporation. In May, Trilon with its newly acquired 98% interest in London Life, successfully completed the sale of four million Class A shares and share purchase warrants for $102 million. In July, Trilon acquired a 42% interest in Royal Trust from Brascan and Olympia & York, and in November increased its holding to approximately 49%. Trilon's third operating division, Corporate Financial Services, was launched in the latter part of the year to further enhance Trilon's development as a major Canadian financial services company.

London Life reported record shareholder earnings, premium income and insurance in force for 1983. Shareholder earnings increased substantially to $30 million and total assets exceeded $5 billion. Investment results continued to improve, reflecting the restructuring of the investment portfolio including the purchase of a number of prime commercial properties. Research activity continues to emphasize further diversification and new product development opportunities.

Royal Trust, the largest trust company in Canada, showed substantial improvement in all areas of its operation during 1983. The company reported increased earnings of $65 million, a record for the ninth consecutive year. This performance reflected the improved interest rate spreads, the increased volume of transactions and the reorganization of the real estate brokerage activities. Total assets under administration exceeded $43 billion.

Other Operations

The Great Lakes Group reported record net income of $23 million as a result of the favourable performance of both the utility and investment operations. The commissioning of a major new electric facility in February 1983 improved the capacity and efficiency of the Northern Ontario utility operations. In view of the exceptional performance achieved since it was restructured four years ago, consideration is being given to expanding this group's investment activities.

Brascan Brazil reported satisfactory earnings, especially considering Brazil's current recessionary climate. These results reflect the Brazilian group's strategy of concentrating on the natural resource and real estate sectors to provide a hedge against inflation and currency devaluation. The financial services division broadened its activities during 1983 and is becoming an increasingly important contributor to the Brazilian group's earnings.

Corporate

Brascan is a strong proponent of shareholder ownership rights believing that an effective share-

holder voice at the board level is required to ensure a balance between management, board and shareholder interests. Excerpts from the Chairman's address to the Royal Trust annual meeting, expressing our convictions on this subject are available on request.

John F. Kearney is retiring from the board following the sale of his company's indirect interest in Brascan. His counsel and support during the past year have been much appreciated.

Progress and Outlook

Brascan's performance during the recessionary period justifies the corporate objective of balancing the cyclical natural resource operations with the more stable consumer products and financial services activities. Even when the natural resource sector was hardest hit by the recession, the consumer products and financial services divisions performed well. This balance, combined with the financial flexibility provided by the group's corporate structure, enabled Brascan to avoid issuing its shares at depressed prices and locking in financing at high interest rates.

Brascan's implementation of its long range plan in the natural resource sector began with the formation of Westmin in 1980 and the acquisition of a major position in Noranda through Brascade in 1981. Further progress was made in 1983 with Brascade's acquisition of our shares in Westmin. We will continue to examine opportunities to broaden Brascade's natural resource base.

The implementation of our long range plan for the financial services division commenced with the organization of Trilon in 1982 to acquire London Life. With the acquisition in 1983 of the controlling interest in Royal Trust, Trilon became Canada's sixth largest financial services company. Currently Trilon is developing its corporate finance activities as its third area of operations.

Brascan's long range plan also provided for the dedication of additional resources to the consumer products division. The investment in Labatt was increased substantially and a major interest was acquired in Scott Paper. Attention will continue to be given to planning new initiatives in this area, preferably working through one or both of our major operating affiliates.

In all of its activities, Brascan remains firmly committed to its goals of increasing earnings and dividends and improving underlying asset values. Your directors, senior officers and staff endeavour to achieve these objectives for the benefit of all shareholders. Given the improving economic conditions we are confident 1984 should give us every opportunity to further our goals.

On behalf of the Board

J T Eyton

J. Trevor Eyton
President and
Chief Executive Officer

March 6, 1984

Business of the Company

Allocation of Resources

Brascan is a major natural resources, consumer products and financial services company. As shown below, 48% of Brascan's corporate investment holdings are dedicated to natural resources, 38% to consumer products and 14% to financial services and other operations.

millions	Carrying Value	Net Income
Natural Resources	$ 817	$ (28)
Consumer Products	654	67
Financial Services	157	16
Other Operations	89	16
Total corporate investments	1,717	71
Liabilities less financial assets	(457)	26
Shareholders' equity/net income	$1,260	$ 97

The information provided above is in a form which differs from the consolidated financial statements in that the carrying values reflect Brascan's common share investments based on the equity method of accounting.

Each of Brascan's principal operating companies has major operating affiliates of its own. Noranda, for example, has major shareholdings in MacMillan Bloedel, Brunswick Mining and Smelting, Placer Development, Canadian Hunter, Kerr Addison Mines, Canada Wire and Cable, Carol Cables, Fraser Inc., James MacLaren Industries, and Northwood Pulp and Timber. Labatt's various divisions, besides brewing, include Dominion, Silverwood and Sealtest Dairies, Chateau-Gai and LaMont Wines, Ogilvie Flour, Chef Francisco, Ault, Catelli, Habitant and Terra Foods.

The following table further illustrates the scope of the group's operations by showing the total sales revenues generated by Brascan's principal operating companies and their equity accounted affiliates, and Brascan's beneficial interest therein:

	Revenues	
millions	Total Group	Brascan Interest
Natural Resources	$ 6,133	$ 1,378
Consumer Products	7,217	1,870
Financial Services	2,811	1,201
Other Operations	480	307
Total	$16,641	$ 4,756

Business Philosophy

Brascan prefers to limit its shareholdings in its principal operating companies to approximately 50%, notwithstanding traditional investment logic which favours acquiring 100% of these quality companies. This self-imposed limit results from Brascan's strong belief in the financial and management benefits to be derived from operating companies continuing as widely held public companies.

The public company status of Brascan's operating companies reinforces the autonomy of their managements who are expected to derive the major portion of their rewards in a manner consistent with the best interests of all shareholders. In this respect, senior management is encouraged to acquire important equity interests in their companies rather than seeking to be compensated for special performance through traditional remuneration programs.

Brascan expects its principal operating companies to be fundamentally self-sufficient with quality management having the requisite level of expertise. Given this, Brascan confines its participation in these companies by contributing ideas at the board level, seeking consensus on all major matters.

Brascan believes in the principle of cumulative voting for the election of directors so as to ensure proportionate shareholder representation and in the absence of cumulative voting supports independent nominees representing substantial shareholdings.

Brascan believes that public companies should attract and retain directors capable of and willing to make an effective contribution including especially:

- participating in all major strategic initiatives to ensure that a company's direction and performance is in accord with the shareholders' objectives.
- contributing to succession planning, including selection and termination of the most senior corporate officers, to ensure that Brascan's operating units are fundamentally self-sufficient.
- assessing management's performance against realistic business plans and industry standards and ensuring that superior performance is fairly rewarded.
- ensuring that the board and shareholders are provided with quality and timely information to make informed decisions.
- safeguarding the shareholders' equity interests, including the issue of treasury shares, the declaration of dividends and the optimum utilization of the company's common equity.

Corporate Development Program

Brascan's corporate development program which was adopted in 1979 was aimed at transforming the company from one of the world's largest private utility operators into a major natural resources, consumer products and financial services company.

The first phase of the program entailed the realignment of the assets and activities of the existing operating companies, and the commencement of a major corporate financing program. The assets which did not fit the defined corporate objectives were sold. Westmin, Brascan Brazil and the Great Lakes Group were restructured and other assets were reorganized into joint ventures. Substantial equity related financings were arranged to supplement the cash received from asset sales.

The second phase of the program entailed the acquisition of major interests in important operating companies to establish the desired balance between natural resources, consumer products and financial services. Thus, Brascade was organized to acquire the controlling interest in Noranda, and Trilon to acquire the controlling interest in London Life. During this phase Brascan also acquired important holdings in Scott and Royal Trust and increased its interest in Labatt.

The current phase of the corporate development program involves a period of consolidation. This phase, which began in 1982, is expected to continue through to 1985 with the major objectives being:

- moderating the impact of the cyclical earnings associated with the natural resources industry.
- achieving the long range goal of owning approximately 50% of each of the principal operating companies.
- achieving over time a matching of corporate debt with financial assets so that Brascan's investments in its principal operating companies will be funded with equity.

Operating Objectives

As previously mentioned, the corporate development program envisages reducing the cyclical impact of commodity prices on reported earnings associated with the natural resource sector. This will be achieved by emphasizing Brascan's other areas of operation, innovative financings, joint ventures, forward sale of commodities at attractive prices and other similar risk-sharing arrangements.

The purchases of additional shares of its principal affiliates will be made over time and for value and may be accomplished through Brascade, Trilon and a similar company to be formed to manage Brascan's consumer products operations. To achieve the long range goal of owning approximately 50% of each of the principal operating companies, Brascan will restructure its holdings and sell non-strategic assets and shareholdings that are in excess of 50%.

Brascan's operating emphasis is on total return, comprising increases in underlying asset values as well as reported earnings. Brascan intends to maintain a strong dividend policy for the benefit of shareholders and to enhance its access to the public capital markets at all times.

Financial Objectives

Brascan intends to achieve its financial objectives with minimal dilution in value to the present shareholders. To ensure that Brascan is always in a position to select the timing of equity issues, substantial undrawn credit facilities are maintained. These credit facilities are available to bridge the cash required to implement the corporate development program and to enable Brascan to act expeditiously in taking advantage of special investment opportunities.

Brascan's financial structure makes it exceptional among major Canadian corporations. In addition to the benefits derived from the significant public ownerships of its operating companies and close working relationships with its various partners, Brascan's financial strength is based on:

- ☐ The liquidity derived from the quality and diversified nature of Brascan's principal operating companies each of which is self-sufficient and severable from the group so that it may be dealt with independently.
- ☐ The leading positions of the operating companies in their respective industries and their self-financing capabilities mean their debt obligations do not require Brascan's support.
- ☐ The substantial contractual lines of credit available to Brascan provide flexibility in timing the company's access to the public capital markets to best advantage, and ensures that Brascan is in a position to support equity financings arranged by its affiliates should the need arise.

Brascan's unique asset diversification and financial structure enables it to withstand difficult economic conditions such as those recently experienced in the natural resource sector.

Corporate Responsibility

Brascan and its affiliates believe their corporate responsibilities encompass not only an improvement in shareholder earnings and asset values, but also a contribution to the quality of life in the communities in which they operate.

The cultural, educational and athletic programs enjoyed in North America are supported by the interest and generosity of the private sector. Brascan plays an active role in the social and business communities in which it operates through its corporate giving and management support, and through similar programs in its operating companies.

Natural Resource Operations

Brascade Resources Inc.: 70%

Brascan's involvement in the natural resource sector is through Brascade which has a 41% interest in Noranda and a 63% interest in Westmin which in turn has a 28% interest in Lacana. Brascade plans to acquire other natural resource operations to complement its existing holdings.

Summarized Financial Information

millions	**1983**	1982
Total assets	**$2,388**	$2,329
Shareholders' equity	**1,784**	1,794
Revenue	**186**	212
Net income (loss)	**(12)**	(42)
Cash flow from operations	**71**	77
Earnings (loss) per share	**(0.77)**	(1.43)

Brascade's loss was substantially reduced in 1983 to $12 million. During 1983 Brascade acquired Brascan's interest in Westmin, completing the consolidation of Brascan's natural resource interests. This acquisition was completed through the issue of 9.2 million treasury shares and resulted in the repayment of substantially all of Brascade's corporate debt.

The economic recovery, which commenced in the United States toward the end of 1982, continued at a rate which exceeded general expectations at the beginning of the year . However, the strength of the US dollar coupled with the confinement of the recovery in 1983 to North America, caused many commodity prices to remain at depressed levels.

Zinc and aluminum were among the first commodities to respond to the economic improvement. The price of lead began to rise through the latter half of 1983. Notwithstanding a brief recovery in copper prices early in 1983, prices subsequently softened as a result of third world production levels which led to higher inventories. Year end prices of precious metals were below levels earlier in the year.

Favourable lumber prices early in the year declined in the latter half of 1983. Demand for pulp was sufficiently strong to allow producers improved operating rates. Greater demand for newsprint allowed Canadian producers to increase operating rates and institute selected price increases. Similarly, the buoyant demand for paper and paperboard products permitted increased production and prices.

The benefit of domestic gas price increases was eroded by lower demand for gas and higher unit transportation costs. Canadian export prices were reduced in 1983 to improve export volumes which in 1983 were approximately 40% of approved levels. Canadian oil production increased in 1983 largely due to increased heavy and synthetic oil volumes.

North American companies were forced to become more cost effective in order to compete in world markets. Companies that placed the greatest emphasis on productivity improvements and unit cost reduction programs stand to benefit the most from the recovery.

The following table illustrates the reserves of some of the natural resource assets in which Brascan shareholders have a beneficial interest expressed in terms of one hundred Brascan common shares.

	Estimated fully diluted beneficial interest per 100 Brascan Shares
Metal in Ore Reserves	
Zinc—lbs.	25,400
Copper—lbs.	5,300
Lead—lbs.	7,600
Molybdenum—lbs.	190
Tin—lbs.	80
Potash—tons	123
Silver—ozs.	340
Gold—ozs.	6
Energy Reserves	
Oil—barrels	132
Gas—thousand cubic feet	2,300
Land—net acres	11
Coal—tons	700
Forest Products	
Owned Timber—acres	3.8
Leasehold Timber—acres	5.2

The combined forestry interests of Scott and the Noranda group comprise 14 million acres, one of the largest private sector timberland holdings in North America.

Noranda Mines Limited: 41%

Noranda and its associated companies are engaged in the four major areas of metals and minerals, oil and gas, forest products and manufacturing.

Summarized Financial Information

millions	1983	1982
Total assets	**$6,131**	$5,705
Shareholders' equity	**2,600**	2,706
Revenue	**3,100**	2,830
Net income (loss)	**(35)**	(83)
Cash flow from operations	**170**	114
Earnings (loss) per share	**(0.58)**	(1.00)

Noranda's operating loss for the year was substantially reduced to $6 million. After asset writedowns the loss was $35 million compared to a loss of $83 million in 1982 after extraordinary items. Particularly encouraging was the fact that all divisions were profitable in 1983 before borrowing costs. In 1982 losses were recorded in all divisions.

Metals and Minerals

Metals and minerals operations reported earnings of $69 million in 1983 compared to a loss of $22 million in 1982. The absence of major strikes during the year, the suspension of production at certain high cost operations and slightly higher average prices all contributed to the earnings improvement.

During the year Noranda continued its mine development program. The company commenced development of its Golden Giant orebody at Hemlo, Ontario at a projected cost in excess of $200 million. The mine at full capacity will produce about 300,000 ounces of gold per annum, doubling the Noranda group's current output. With reserves of 24 million tons at a grade of 0.28 ounces of gold per ton, this mine should be one of the world's lowest cost gold producers.

Oil and Gas

Canadian Hunter's total gas production increased during the year as a result of higher demand toward the end of the year. In January 1983, Hunter received regulatory approval to build gas liquid extraction plants at Elmworth and Wapiti in the Deep Basin gas areas of Alberta. Two gas liquid extraction plants are currently under construction with completion scheduled for mid-1985. Hunter's share of the gas liquids from these plants will be about 3.4 million barrels per year.

During the year Kerr Addison acquired a 32.6% interest in Anderson Exploration for $80 million. Anderson's assets include proven and probable reserves of 679 bcf of gas, 8.1 million barrels of oil and liquids as well as 658,000 exploration acres located primarily in Alberta.

Forest Products

Forest products operations recorded a profit of $4 million during the year compared to a loss of $56 million in 1982. This improvement is largely attributable to the implementation of cost reduction programs together with improved operating rates and product prices.

A $197 million modernization program at Fraser's Atholville pulp mill was completed in September. Northwood Pulp's new $385 million Prince George pulp mill reached capacity in 1983 and will benefit from expected pulp price increases. MacMillan Bloedel's recently completed 210,000 tons per annum corrugated paperboard mill in Alabama experienced strong demand from the buoyant packaging markets.

Manufacturing

Manufacturing operations reported earnings of $15 million compared to a loss of $14 million in 1982, primarily because of improved aluminum markets. The US$240 million expansion at the New Madrid, Missouri aluminum smelter complex commenced commercial production in July. The selection of Canada Wire by the Egyptian Electricity Authority for a $62 million transmission line contract reflects the company's status as a worldwide leader in its industry.

Corporate

Notwithstanding the most severe economic conditions in its 61 year history, Noranda' s balance sheet at year end was satisfactory. The company's year end working capital was $971 million with current assets approximately double current liabilities.

Noranda's Golden Giant project,currently under development at Hemlo in Northern Ontario, is one of North America's most important gold discoveries.

Natural Resource Operations continued

Westmin Resources Limited: 63%

Westmin is a natural resource exploration and production company with interests in oil and gas, base and precious metals and coal properties.

Summarized Financial Information

millions	**1983**	1982
Total assets	**$547**	$420
Shareholders' equity	**376**	306
Revenue	**129**	125
Net income	**40**	40
Cash flow from operations	**71**	72
Earnings per share	**.66**	.65

Westmin's diversified natural resource base generated net income of $40 million which was slightly higher than the previous year. The past year was the eighth consecutive year of earnings growth for Westmin, a noteworthy record considering the severity of the economic recession.

Oil and Gas

Operating profit from oil and gas increased to $46 million from $41 million in 1982. Substantial increases in low gravity oil volumes contributed to the 28% increase in oil production which reached 1.2 million barrels in 1983. Despite an overall decline in industry output, Westmin's gas production increased by 6% to 16 bcf for 1983. Westmin's ability to market additional gas, notwithstanding adverse industry conditions, was mainly the result of its gas development and aggressive marketing program.

Gross proven and probable oil and natural gas liquid reserves were 84 million barrels at the end of 1983 while proven and probable gas reserves were 492 bcf.

Westmin's low gravity oil enhanced recovery program progressed significantly in 1983. A 3,000 barrel per day oil cleaning plant was completed during the year and a portable steam generator was acquired. Early in 1984, a heavy oil pipeline will commence operations linking Westmin's heavy oil fields at Lindbergh, Alberta, with a refinery at Lloydminster, greatly reducing transportation costs. Westmin intends to continue the active development of its large freehold low gravity oil properties which contain over a billion barrels of oil in place.

Mining

Operating profit from metal mining declined to $6 million in 1983 from $9 million in 1982 which included profits from attractively priced forward metal sales. A strike which commenced in mid-November was the main reason for the lower operating profit in 1983.

During the year, development of the H-W orebody began, which when completed will triple milling capacity to 3,000 tons per day. A 2,343 foot shaft has been sunk and work is proceeding on the surface facilities with initial production planned for early 1985. A $200 million non-recourse project loan has been arranged to finance this expansion.

The recently discovered Lynx west zone has been extended to a total of 1,400 feet of strike length with favourable grades and is being prepared for production in 1984. At the Silbak Premier and Big Missouri precious metal properties near Stewart, British Columbia, encouraging mineralized zones were encountered. During the year, Westmin increased its interest to 28% in Lacana, a precious metal producer with operations in Canada, the United States and Mexico.

Coal and Industrial Minerals

Operating profit from coal and industrial minerals increased to $4.4 million in 1983 compared to $3.6 million in 1982 excluding advance coal royalties received in 1982. Westmin's coal is supplied to Alberta's major power stations under escalating take-or-pay production royalty contracts.

The recoverable thermal coal reserves on Westmin's freehold land in Western Canada approximate 400 million tons. In addition, Westmin has priority rights on 210,000 acres of Crown land in Alberta overlying some four billion tons of coal in place.

Corporate

Westmin's operating cash flow of $71 million and a $50 million equity issue increased the company's working capital at year end to $140 million. Cash and short term investments totalled $134 million enabling the company to consider new investment opportunities in the oil and gas and mineral sectors.

Westmin, a major freehold landowner in Alberta, participated in 170 wells in 1983, ranking it in the top dozen most active oil and gas companies in Alberta.


VIVA
Cottonelle
Duvet.
Cashmere
ScotTowels plus
Scotties
CUT-RITE
Baby Fresh


Welch's
Oh Henry!
Chipwich


ALPENWEISS
Quality Table Wine
CAPISTRO


Five Roses
ENRICHED
CATELLI
READY CUT
MACARONI
CATELLI PLUS
CATELLI
OLD FASHION
CATELLI
MEAT SAUCE
Habitant
Pea soup


I.P.A.
CRYSTAL
SKOL
Labatt
50
Labatt's
Budweiser
Labatt's Lite

Consumer Product Operations

Brascan's consumer products operations are in the non-durable sector. This area was selected by Brascan in that its earnings and cash flows are relatively stable and balance the more cyclical earnings associated with the natural resource sector. An indication of the extent of Brascan's involvement in this area can be obtained by reference to the following table which shows the beneficial interests of Brascan shareholders in the production capacities of Labatt and Scott expressed in terms of one hundred Brascan common shares.

	Estimated fully diluted beneficial interest per 100 Brascan Shares
Annual Production Capacity	
Beer—gallons	300
Milk—gallons	400
Wine—gallons	50
Flour—lbs.	2,300
Starch—lbs.	250
Gluten—lbs.	95
Corn sweeteners—lbs.	350
Tissue paper (U.S. and Canada only)—lbs.	2,000
Printing and publishing papers—lbs.	1,500

The stability of the consumer non-durable sector stems from the staple nature of most of these products which are consumed in similar quantities during good or bad times. In economic terms the demand for these products can be described as relatively inelastic. While the consumer may switch to different price ranges for the same product category in response to economic conditions, most companies offer several brands in different price ranges.

During 1983 Canadian beer industry volume increased marginally. While United States beer consumption grew less than 1% in 1983, imports from Canada increased by approximately 12%.

During the past year there was continuing segmentation of the Canadian beer market. The marketing of new light, premium and United States brands continued, with emphasis on bottle shape and colour. While volume growth is modest, a favourable characteristic of a mature market is a strong cash flow from operations.

The volume of both domestic and imported wine sales in Canada increased strongly during 1983. However, domestic wines continued to be adversely affected by surplus capacity and competitive pressures from subsidized imports. The United States wine market continued to experience very competitive conditions as a consequence of large domestic and overseas grape harvests.

Lower farm milk supply quotas resulted in less industrial milk available for processing. While exports of premium aged Canadian cheddar cheese continued to receive strong overseas acceptance, quotas in the United Kingdom are restricting sales to that market.

For the past two years large cane and beet harvests worldwide have resulted in high sugar inventories and low prices. The low sugar prices experienced in recent years have depressed the price of high fructose corn syrup. However, the substitution during this period of corn syrup for sugar by soft drink bottlers and food processors has significantly increased sales volumes.

Better conditions prevailed during 1983 in the starch industry in response to improved demand, particularly from the corrugated paper manufacturers. As the flour milling and corn sweetener industries expanded production, the gluten produced as a by-product resulted in an over supply and lower prices for that product. The recovery of Canadian flour exports during the year benefited the entire industry through the prorating of export volumes among flour millers.

While the sales volume of tissue paper increased during 1983 in response to the improving economy, prices remained relatively unchanged. However, improving production operating rates at year end have created the preconditions for tissue price increases.

Strong market conditions prevailed in 1983 for coated and uncoated printing and publishing papers and operating rates improved substantially. As the balance between supply and demand improves, further meaningful price increases are expected to occur.

Household name products made by Labatt and Scott are used by more than 100 million families.

John Labatt Limited: 39%

Labatt is a broadly based consumer products company with interests in brewing, packaged foods and agri products.

Summarized Financial Information

millions	October 31 1983	1982
Total assets	**$1,111**	$ 944
Shareholders' equity	**424**	362
Total revenue	**2,311**	2,157
Net income	**79**	61
Cash flow from operations	**135**	127
Earnings per share	**2.87**	2.25

For the twelve month period ended October 31, 1983, gross sales increased by 7% to $2.3 billion. Net income grew by 30% to $79 million, a record for the fifth consecutive year, mainly in response to improved productivity and increased agri products sales volumes.

Brewing Group
The earnings of the Brewing Group improved over the past year despite reduced sales volumes. The introduction of John Labatt Classic and the continued success of the Budweiser brand helped to maintain Labatt's leading Canadian market share. Other recently introduced Labatt brands include Classique in Quebec and Blue Light in Ontario. Labatt's exports to the United States have increased significantly.

Packaged Food
Packaged Food Group earnings matched the previous year's record levels. Earnings at Catelli, Chef Francisco and the Canadian wine operations were favourable; however, the United States wine operations of LaMont continued to show losses due to depressed market conditions. New product introductions by Catelli have been well received. During the year the company acquired Delicious Foods, a Nebraska based processor of breaded frozen vegetables, and Holiday Juice, the Canadian producer of EverFresh and other fruit juices and fruit drinks.

Agri Products
The earnings of the Agri Products Group increased during the year as a result of a strong performance by the Ogilvie Division. Ogilvie's results were favourably affected by increased export volumes and rationalization of production facilities. Ault's earnings, while comparable to last year, were adversely affected by a shortage of industrial milk. The acquisition of the Silverwoods and Royal Oak dairies during the year brings substantial new capacity to Ault in the important Ontario and Manitoba markets.

Partly Owned Businesses
Low sweetener prices and excess industry capacity continued to affect Labatt's Zymaize operations. Following Labatt's proposed acquisition of its partner's interest in the Zymaize operation, a new joint venture would be formed with Canada Starch Company. The assets of the new partnership would consist of Canada Starch's two corn wet milling plants located at Port Colborne and Cardinal in Ontario and the Labatt's Zymaize operations located in London, Ontario. Labatt would have a 30% interest in the joint venture which would provide the economies of scale to compete on a North American basis.

McGavin's earnings were comparable to last year despite poor food service market conditions and strong price competition from other Canadian and United States bakeries. McGavin is the largest bakery in western Canada.

Allelix, a joint venture with the Canada Development Corporation and the Government of Ontario to develop commercially viable biotechnologically based products and processes, continued to recruit highly specialized scientific staff during the year.

Corporate
Labatt's corporate development program continues to focus on achieving growth through the upgrading of existing operations and through acquisitions. During the year the company's financial position was further strengthened through a $50 million convertible debenture issue with Brascan subscribing for its proportionate interest. Labatt's cash and short term investments of $139 million at year end together with its unused borrowing capacity provide substantial resources for undertaking new investment initiatives.

In addition to being the dominant Canadian brewer, Labatt is the leading flour miller and processor of dairy products.

Scott Paper Company: 24%

Scott is the world's largest producer of tissue products and a major manufacturer of printing and publishing papers. Scott owns more than three million acres of woodlands in the United States, Canada and Brazil and operates in 21 countries.

Summarized Financial Information

millions	**1983**	1982
Total assets	**US$2,723**	US$2,382
Shareholders' equity	**1,456**	1,284
Sales	**2,465**	2,293
Net income	**124**	74
Cash flow from operations	**276**	286
Earnings per share	**2.58**	1.61

Net income for the year increased to US$124 million, a 66% gain over the previous year. Improved earnings were reported by all of Scott's business segments.

Packaged Products

The Packaged Products Division, Scott's largest operation, reported record operating profits of US$143 million compared to US$121 million in 1982. These results continue to reflect the productivity improvements achieved under the Scott strategic plan during the last three years.

At Mobile, Alabama, Scott completed one of the most advanced wood delivery and processing systems in the industry at a cost of US$69 million. In addition, construction commenced on the modernization and upgrading of the energy generating facilities at the Mobile operation. This US$300 million capital investment is the largest in Scott's history.

Printing and Publishing Papers

The S.D. Warren Division increased sales to US $667 million from US$559 million in 1982 and operating profits rose strongly to US$57 million from US$39 million in 1982. This improvement was achieved almost entirely as a result of increased sales volume as selling prices were about the same as in 1982.

The new 200,000 tons per annum coated paper machine at Skowhegan, Maine added significantly to sales volumes in 1983 having come on stream as the demand for its special line of products improved. During the year a paper machine at Muskegon, Michigan, was rebuilt to produce heavier weight coated papers.

Forest Products and Minerals

Scott's forest products and minerals operations recorded sales in 1983 of US$86 million compared to US$64 million in the previous year. Operating profits increased to US$25 million from US$15 million in 1982. The favourable results were primarily due to higher sales volumes of logs and lumber.

International Operations

Scott's share of the earnings of the company's international affiliates was US$27 million in 1983, a marked contrast to the loss of US$40 million in the previous year. The prior year's results were adversely affected by currency losses from Scott's 49% owned Mexican affiliate.

During the year Scott increased its ownership of its Italian affiliate from 50% to 100% and commenced construction of an additional paper machine costing US$52 million. Scott also increased ownership in its affiliates in Taiwan and Spain. New manufacturing facilities which cost US$95 million commenced production in Mexico and Malaysia.

Corporate

Implementation of Scott's long range strategic plan to achieve full cost competitiveness continued in 1983. An important part of the plan included the sale of non-strategic operations such as the Brown Jordan and Foam Divisions, both of which were sold during the year. Scott's western Washington timberlands comprising about 240,000 acres are being prepared for sale.

During the year Scott raised US$121 million through a common share equity issue with Brascan subscribing for its proportionate share. Despite large capital expenditures, Scott ended the year with a strong balance sheet including cash, short term investments and construction funds of US$261 million.

Scott's Mobile, Alabama, woodyard, completed in 1983, is one of the industry's largest and most advanced facilities for handling tree-length logs.

Financial Services Operations

Trilon Financial Corporation: 39%

Brascan has a broad exposure to the financial services sector through Trilon which in turn has important interests in the insurance and trust industries. Trilon is also developing other corporate financial services to complement the activities of its principal operating affiliates.

Summarized Financial Information

millions	**1983**	1982
Total corporate assets	**$16,029**	$4,626
Total assets under administration	**48,795**	4,626
Shareholders' equity	**504**	179
Total income	**2,684**	1,161
Net income	**38**	24
Earnings per share	**2.60**	2.38

Net income for Trilon's first full year of operation was $38 million compared to $24 million on a pro forma basis for 1982. After providing for preferred share dividends, net income per Class A share increased to $2.60 compared to $2.38 per share in 1982.

During 1983 Trilon completed a number of important steps towards the fulfilment of its corporate goals and objectives. In February the company completed its share exchange offer for shares of London Life, one of Canada's largest life insurance companies, and now owns 98% of that company. In May Trilon successfully completed the sale of four million Class A shares and two million share purchase warrants for $102 million. In November the company completed the purchase of a 49% interest in Royal Trust for $297 million and in December issued $80 million of commercial paper.

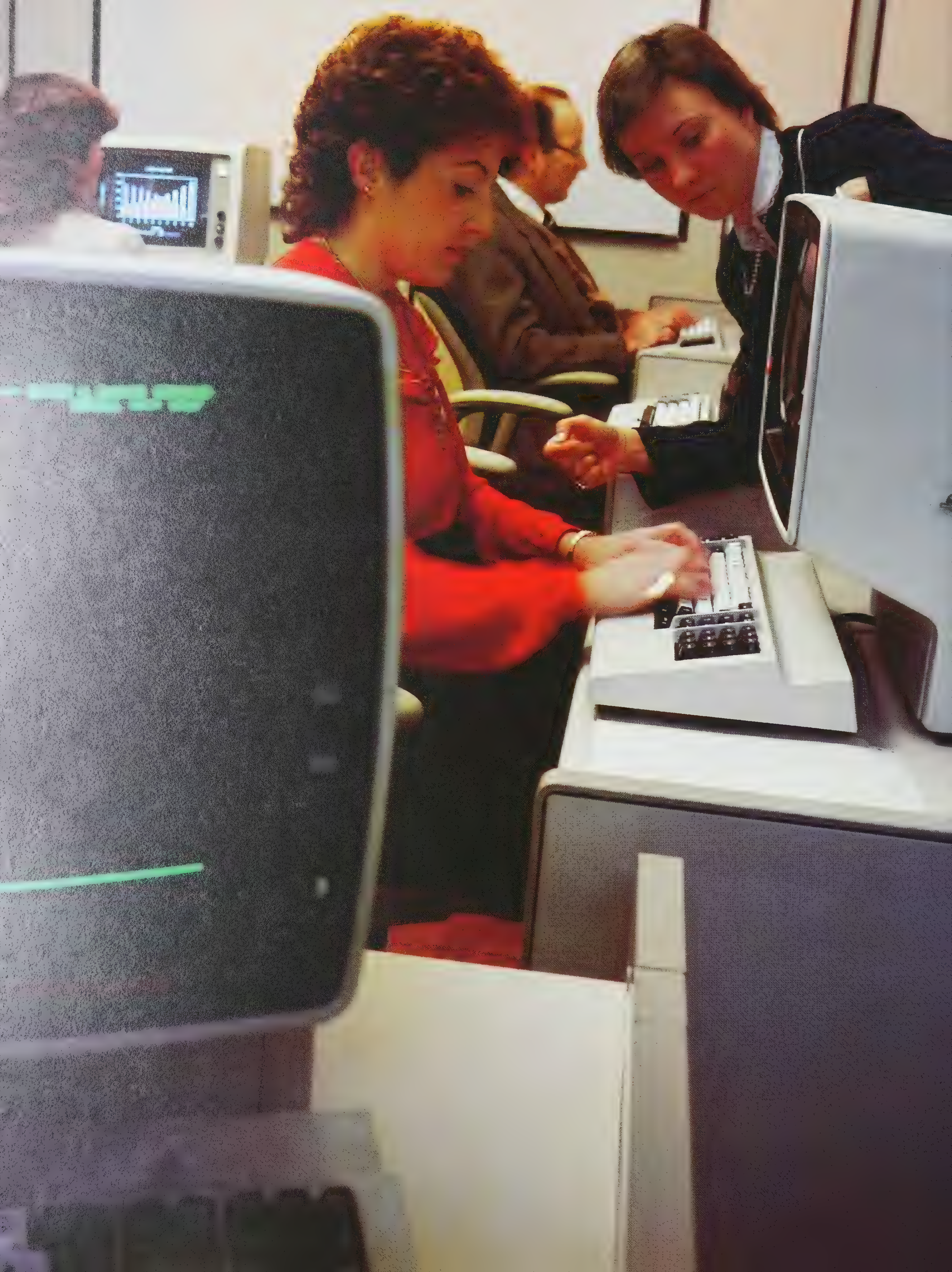
The financial services sector is in a transitional stage. Trilon believes this has created new markets to be served and is identifying areas where it can participate profitably. The Trilon group has the size and resources to develop the products and systems to meet the public's increasing need for professional guidance and advice. Trilon directly and through its affiliates has developed a wide range of investment and insurance products and offers assistance in personal and estate planning, corporate financial reorganizations and other advisory services. Trilon is encouraging the operating units to grow to their full potential, while at the same time working together to mutual advantage.

During the year, Trilon launched a third operating division, Corporate Financial Services, to complement its insurance and trust activities. Activities presently include participation in the foreign exchange and interest rate futures markets as well as other money market operations. In 1984 these activities will be expanded to include investment research, financial and acquisition advice, assisting in the execution of investment initiatives and arranging loans and credit facilities. Given the favourable credit rating received by Trilon for its commercial paper in late 1983, commercial paper outstanding will be expanded to the $150 million level.

Regulators at both federal and provincial levels are currently examining their financial services legislation. Proposed federal legislation concerning trust and loan companies contains a number of contentious points about which there has been much discussion. Pending the outcome of a full review of the financial services industry in consultation with the private sector, the federal government has determined to delay passage of new legislation. The Province of Ontario recently released a White Paper proposing revisions to its loan and trust company legislation. While there are still certain issues outstanding, we believe the new Ontario legislation when passed will allow the continuation of profitable growth for the trust industry while maintaining the maximum protection for clients' funds.

Present insurance industry legislation at both the federal and provincial levels has been in place for many years and does not reflect changes which have occurred in the financial services sector. However, it is hoped that substantial changes to existing legislation will only be made in the context of the comprehensive review of the legislative framework. Trilon intends to monitor developments closely and where appropriate, participate in the review process relating to any proposed legislation affecting the financial services industry.

Trilon, London Life and Royal Trust executives meet regularly to discuss areas of mutual business interest.



London Life Insurance Company: 98%

London Life is Canada's leading shareholder owned life insurance company providing life and health insurance and other personal benefit services to more than one million clients.

Summarized Financial Information

millions	1983	1982
Life insurance in force	**$42,848**	$39,828
Total assets	**5,093**	4,618
Policyowners' and shareholders' equity	**532**	504
Premium and investment income	**1,247**	1,161
Shareholders' earnings	**30**	24
Earnings per share	**59.57**	47.54

Net income attributable to shareholders increased for the sixth consecutive year reaching a record of $30 million compared to $24 million in 1982. Total assets exceeded $5 billion, an increase of $475 million. Sales of insurance products were at record levels due to an improved economy and the expanded sales force.

Individual Insurance

London Life continues to lead the industry with an individual life insurance portfolio of $27 billion. Improving economic conditions, the successful introduction of new products, the increased sales force, and the emphasis on field sales management resulted in $4.5 billion of new life insurance being issued during 1983. This represented an increase of 35% over the previous year.

New policy sales resulted in total premium income increasing to $430 million. London Life's levels of policy terminations remain below North American industry averages reflecting the efforts made to maintain superior customer service.

Dividends paid to participating policyowners totalled $158 million. London Life has a record of paying above-average policyowner dividends, which have increased at an average annual rate of 17% over the past five years.

Group Insurance

New business premiums amounted to $17 million. Severe price competition and the effects of the recession restrained growth. Premium revenue for life and health business rose to $236 million compared to $220 million in 1982.

Significant investments are planned in computer systems, particularly to support the projected growth of new pension business. This is considered to be an area of opportunity due to the ageing of the Canadian population and increasing requirements for retirement planning.

Investments

Investment income increased as a result of asset growth and innovative investment strategies. The net earned rate on the total investment portfolio reached 10.7% compared to 10.4% in 1982 notwithstanding the lower interest rate environment. Mortgages continued to be a significant outlet for investment with new mortgage advances in 1983 totalling $417 million. The total residential and commercial mortgage portfolio was $2.5 billion at year end.

The acceleration of London Life's private placement and real estate investment programs continued during 1983. These activities included a number of energy related and commercial real estate investments. A 50% interest was acquired in a major downtown office tower in Toronto and development continued on Toronto's College Park project in which London Life has a 60% equity interest.

Corporate

Pending a revision of insurance legislation now under review, London Life is actively exploring new opportunities presently available under existing legislation. The company is especially attentive to the potential for internal growth through new business activities evolving in the financial services industry and additional business opportunities through acquisition.

London Life's head office computer awareness centre gives employees the opportunity to master state-of-the-art computer technology.

Royal Trustco Limited: 49%

Royal Trust is Canada's largest trust company providing a broad range of financial, trust and real estate brokerage services in Canada and internationally.

Summarized Financial Information

millions	1983	1982
Total assets under administration	**$43,381**	$35,951
Total corporate assets	**10,615**	9,793
Shareholders' equity	**441**	410
Total revenue	**1,433**	1,466
Net income	**65**	44
Earnings per share	**2.74**	1.88

Net income increased for the ninth consecutive year to a record $65 million with total revenues of $1.4 billion. Earnings per share improved to $2.74 from $1.88 in 1982. The substantial increase in earnings during the year resulted from improved performance in the financial services and real estate operations.

Total corporate assets increased by 8.4% over the previous year to a record $10.6 billion. Total assets under administration reached a new high of $43 billion at December 31 compared to $36 billion last year.

Financial Services

The profitability of the domestic financial services activities increased substantially, with operating profits of $61 million compared to $37 million in 1982, primarily as a result of the decline in interest rates during the first half of 1983. Mortgage assets increased by 8% while corporate and consumer loans grew by 10% during the year.

Trust Services

Fees from trust services increased 12% in 1983 reflecting improved market values of managed investments and higher activity levels. Profitability was impacted significantly due to major computer systems development costs incurred to upgrade computer technology and procedures. These expenditures will create long term benefits for the company and its clients.

Real Estate Brokerage

Real estate brokerage operations experienced a dramatic return to profitability in 1983. Royal Trust maintained its position as Canada's leading broker of residential real estate. The 1983 results reflect the recovery in the Canadian residential real estate markets and the substantially lower breakeven points achieved by the company's major rationalization program implemented in 1982.

The complementary activities of Royal Trust's real estate and mortgage functions were emphasized during 1983. In this period approximately one-third of Royal Trust's residential mortgage approvals originating from the real estate brokerage industry were developed by Royal Trust's real estate sales force.

International Operations

International operations enjoyed a successful year. The recent rationalization of the European operations and the anticipated improvement in economic conditions should benefit earnings in 1984.

During the year Royal Trust sold its Florida banking operations for $135 million with the closing early in 1984. A reinvestment plan has been developed for the sale proceeds and the effect on net income will be favourable.

Corporate Affairs

The past year was one of major transition for Royal Trust. New initiatives and accountabilities were established as the result of an extensive reorganization, intensified marketing, considerable expenditures on computer systems, supporting products and the adoption of tighter management controls over all facets of the business.

During 1983 a business plan was developed which provides a clear statement of objectives and appropriate action plans. In addition, two important committees of the board of directors were established to monitor the company's Code of Business Conduct and to review investment decisions and policies. The Business Conduct Review Committee consists entirely of directors unaffiliated with major shareholders while the Investment Review Committee has a majority of unaffiliated shareholder directors.

The executive offices of Royal Trust, Canada's largest trust company, are located in the heart of Toronto's financial district.

Other Operations

Great Lakes Group: 49%

The operations of the Great Lakes Group include the generation and distribution of hydro-electric power in Northern Ontario and financial and investment activities.

Summarized Financial Information

millions	**1983**	1982
Total assets	**$637**	$432
Shareholders' equity	**274**	186
Total revenue	**57**	56
Net income	**23**	12
Cash flow from operations	**33**	19
Earnings per share	**1.32**	0.72

Earnings increased for the fourth consecutive year to $23 million as a result of the improved performances by both the utility and investment divisions. Energy sales in the utility division continued at about the same level as in 1982 reflecting the generally weak demand from the company's main industrial customers.

Utility Division

The commissioning of a major new generating facility at Sault Ste. Marie in February 1983 significantly affected the utility's purchased power requirements which decreased by 50% from the preceding year. Improved water supplies on the northern river systems, where precipitation and inflows during the year were above long term averages also reduced purchased power requirements.

The new power facility employs the latest in generating technology and permits use of Canada's full quota of water from the St. Mary's River. With the three units of the new generating plant meeting design specifications and contributing an additional capacity of 32,000 kilowatts to the system, Great Lakes now generates approximately 75% of the system requirements. These facilities, which cost $116 million, significantly increased the capital base of Great Lakes.

The new plant, which complements the eight existing hydro-electric generating stations, ensures that Great Lakes will continue to provide a high standard of service to its franchise area at rates competitive with those of Ontario Hydro. Current rates charged by Great Lakes to its customers are comparable to Ontario Hydro rates. It continues as an important objective of the company to charge rates below those set by Ontario Hydro notwithstanding the high level of capital investment made in recent years.

The company continues to explore opportunities to increase its generating capacity through the development of new sites on its river systems and improvements to its existing generating stations.

Investment Division

The investment division of Great Lakes Power Group also made an important contribution to earnings for the year. This division enables the group to participate in attractive equity and other financing opportunities in the public markets including participation with the affiliates of Brascan where appropriate. At year end the investment portfolio included a 17% interest in Union Gas Limited, 8% of Trilon Financial Corporation and an 8% interest in Brascan. During 1983 Great Lakes disposed of its 23% interest in Consumers Glass Company. Unrealized gains totalled $72 million at year end.

Corporate

Having successfully completed the initial phase of the strategic plan for the Great Lakes Group, a stable operating base has been established with an assured and growing stream of earnings. The second phase entails the expansion of the group's investment activities to include the underwriting of equity issues of Brascan affiliates and other major companies as well as participation in selected financial transactions .

As additional capital is required to support the group's expanded activities, consideration will be given to a major public equity financing.

Great Lakes Power's Francis H. Clergue hydro-electric facility was commissioned in 1983 and employs the most advanced generating technology.

Other Operations

Brascan Brazil Group: 50%—100%

The Brascan Brazil Group's major operations are in real estate development, natural resources and financial services.

Equity Interest

millions	1983	1982
Real estate development	**$ 69**	$ 93
Natural resources	**26**	28
Consumer and industrial products	**19**	21
Financial services	**9**	9
Other assets less liabilities	**22**	26
Total equity	**$145**	$177

Brascan Brazil is carried in Brascan's accounts at $55 million which reflects only the book equity of the Brazilian companies having registered capital under Brazil's foreign investment legislation. Income from these investments is only recorded when dollar dividends are received in Canada.

Notwithstanding the continuing recessionary climate, Brascan Brazil reported earnings of $10.3 million compared to $17.8 million in 1982. Although total equity and earnings in dollar terms were less than last year due to a major devaluation, underlying asset values were maintained by the group's strategy of concentrating on those areas offering protection against inflation.

Real Estate

Brascan Imobiliária (BISA) now ranks as one of Brazil's largest real estate development companies. Despite difficult economic conditions for the real estate industry, BISA completed and delivered 1,196 units in Rio de Janeiro and São Paulo. To satisfy the changed market conditions, the company redesigned its residential product line.

During the year BISA purchased a 51% controlling interest in the Rio Sul retail complex. This downtown shopping centre containing 240 stores, including five major anchor stores and covered parking facilities, is the largest and most successful shopping centre in Rio de Janeiro.

Braścan Brazil's 60% owned Intercontinental Rio Hotel is undergoing a major renovation and refurbishing program as part of its aggressive international marketing initiative.

Brascan Brazil's Rio Sul shopping centre, acquired in 1983, attracted 10 million shoppers last year.

Natural Resources

Brascan Brazil's natural resource operations which are carried on through Brascan Recursos Naturais, a 50% joint venture with British Petroleum Limited, reported record earnings notwithstanding substantially increased exploration and development expenditures. These operations benefited from tin prices being set in US dollars and government export incentives. Mine production of tin increased by 15% to 6.0 million pounds.

As a result of the company's exploration program, geological cassiterite reserves increased to 54,000 tons of contained tin. The company has commenced an aggressive exploration program on its extensive Amazon basin claims for tin and precious metals.

During the year, mining research facilities endowed by the Brascan Mining Technology Fund, were completed in Rondônia. The objectives of the fund are to foster mining research in Rondônia and to promote the exchange of mining technology between Brazil and Canada.

Financial Services

The financial services division is an increasingly important profit contributor to the Brazilian group's operations. Originally formed two years ago in Rio de Janeiro to supplement the financial needs of the Brazilian operating companies, the activities of this division have broadened to include a variety of financial services conducted with institutional, domestic and foreign companies. In addition to servicing the group's financial needs, these operations have been extended to include money market activities, leasing operations, underwritings, and general investment participations. In line with these expanded activities, a branch office is planned for São Paulo during 1984.

Corporate

Consistent with the group's strategy to concentrate on its three main areas of activity, agreement was reached to sell its 30% interest in Veículos e Equipamentos (FNV), a metal fabricator and manufacturer of heavy equipment. In addition, substantial progress was made in restructuring the group's 45% holding in Swift-Armour, which owns extensive prime farmland providing protection against inflation and currency depreciation.

Consolidated Balance Sheet

December 31 millions	note	1983	1982
Assets			
Cash and other investments		**$ 261.6**	$ 368.8
Loans and accounts receivable	2	**137.0**	162.3
Corporate investments	3	**2,487.0**	2,501.9
Property and equipment	4	**388.8**	306.4
Other assets		**10.5**	25.6
		$3,284.9	$3,365.0
Liabilities			
Bank indebtedness		**$ 15.6**	$ 74.5
Accounts payable		**60.0**	40.6
Dividends and interest payable		**30.5**	24.6
Term debt	5	**732.6**	1,030.8
		838.7	1,170.5
Deferred taxes		**95.8**	65.6
Minority interest		**1,090.4**	898.3
Shareholders' equity	6	**1,260.0**	1,230.6
		$3,284.9	$3,365.0

On behalf of the Board:

J. Trevor Eyton, Director

Jack L. Cockwell, Director

Consolidated Statement of Income

Years ended December 31

millions	note	1983	1982
Income before unallocated expenses:			
Natural resources		**$ 42.0**	$ 56.1
Consumer products		**66.8**	43.3
Financial services		**15.6**	15.7
Other operations		**15.7**	10.6
Investment and other income		**127.9**	133.2
		268.0	258.9
Unallocated expenses:			
Interest		**96.3**	151.9
Corporate expenses		**5.9**	6.5
Income and resource taxes	7	**31.2**	19.9
Minority interest		**38.0**	20.5
		171.4	198.8
Net income for year		**$ 96.6**	$ 60.1
Earnings per share after preferred dividends		**$ 2.60**	$ 1.04

Consolidated Statement of Changes in Financial Position

Years ended December 31 millions	1983	1982
Funds provided:		
Operations	**$100.3**	$ 77.5
Term borrowings	**—**	326.4
Minority interests	**271.1**	24.1
Reduction in corporate investments	**100.6**	2.5
Reduction in debentures and loans receivable	**14.6**	16.2
Reduction in funds	**48.3**	73.6
Miscellaneous	**19.1**	(24.5)
	$554.0	$495.8
Funds used:		
Corporate investments		
Natural resources	**$ 3.6**	$ 7.1
Consumer products	**57.2**	28.0
Financial services	**—**	.9
Other operations	**4.5**	5.7
Expenditures on property and equipment	**68.2**	77.3
Reduction in term debt	**297.9**	255.5
Dividends		
Corporate	**68.6**	79.6
Minority interests	**54.0**	41.7
	$554.0	$495.8

Consolidated Statement of Retained Earnings

Years ended December 31

millions	**1983**	1982
Balance, beginning of year	**$710.8**	$730.3
Net income for year	**96.6**	60.1
	807.4	790.4
Dividends declared:		
Preferred	**27.8**	32.6
Ordinary	**40.8**	47.0
	68.6	79.6
Balance, end of year	**$738.8**	$710.8

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 6, 1984

Touche Ross & Co.
Chartered Accountants

Notes to Consolidated Financial Statements

1. **Summary of Accounting Policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has voting control, other than those operating in Brazil. The principal operating subsidiaries consolidated include the 70% interest in Brascade Resources Inc. and Brascade's 63% fully diluted interest in Westmin Resources Limited.

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the estimated fair values at the date of purchase.

Corporate Investments

Investments outside Brazil in which significant influence exists are carried on the equity method. Equity in the income of these investments is based on income as reported by investees adjusted for the difference between acquisition costs and the underlying net book value of investees' assets.

Brascan Brazil is carried at cost and represents the investment in those companies whose capital is registered under Brazilian foreign investment legislation. The investment in the company whose capital is not registered is not reflected in the financial statements. Income is recognized only when received.

The accounting policies of investees are in all material respects in accordance with those of Brascan Limited except in the areas of foreign currency translation, inventories and, in the case of Trilon Financial Corporation's life insurance operations, the accounting policies are as prescribed or permitted by the Department of Insurance of Canada.

Other Investments

Other investments consist mainly of common and preferred shares and are carried at cost which approximates market value.

Foreign Currency Translation

The Company's policy is to maintain overall balanced foreign currency positions with foreign currency amounts being translated into Canadian dollars as follows:

Monetary assets and liabilities and the carrying value (on the equity method) of the investment in Scott Paper Company at period-end rates of exchange;

Other assets and liabilities at historic rates of exchange;

Revenues and expenses at average rates of exchange for the period.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Petroleum Properties and Equipment

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized by cost centre until commencement of production and then amortized on the revenue depletion method over estimated proven reserves. The cost of petroleum plant and equipment is depreciated based on production.

Mining and Mineral Exploration

Mineral exploration costs pertaining to individual mineral prospects are charged to income as incurred until an economic orebody is defined. The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on the unit of production method over the estimated life of the ore reserves.

2. Loans and Accounts Receivable

Loans and accounts receivable include $73.3 million (1982—$87.6 million) due from Brazilian government agencies and denominated in United States dollars and $10.4 million (1982—$8.0 million) due from officers and directors under the Company's share purchase plans.

3. Corporate Investments

millions	December 31 1983	1982
Natural Resources—		
Noranda Mines Limited	**$1,542.1**	$1,672.6
Lacana Mining Corporation	**35.0**	29.1
	1,577.1	1,701.7
Consumer Products—		
John Labatt Limited	**232.4**	193.5
Scott Paper Company	**421.9**	361.2
	654.3	554.7
Financial Services—		
Trilon Financial Corporation	**157.0**	54.1
Royal Trustco Limited	**—**	81.3
	157.0	135.4
Other Operations—		
Great Lakes Power Investments Limited	**44.0**	59.7
Brascan Brazil	**54.6**	50.4
	98.6	110.1
	$2,487.0	$2,501.9

Included in the carrying values of corporate investments on the equity method is $316 million (1982—$350 million) representing the remaining unamortized excess of acquisition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of investees and is being amortized over the estimated useful lives of the assets.

4. Property and Equipment

December 31

millions	**1983** Cost	**1983** Accumulated depreciation and depletion	**1983** Net	1982 Net
Petroleum	**$350.5**	**$48.6**	**$301.9**	$253.2
Mining	**93.9**	**14.4**	**79.5**	46.1
Coal properties and other	**10.0**	**2.6**	**7.4**	7.1
	$454.4	**$65.6**	**$388.8**	$306.4

5. Term Debt

December 31

millions	1983	1982
Term bank loans due 1984 to 1991	**$610.9**	$ 889.9
Promissory notes	**61.8**	61.8
Other obligations due annually 1984 to 1987	**59.9**	79.1
	$732.6	$1,030.8

At December 31, 1983 the weighted average interest rate on term debt was 9.7%.

Maturities during the next five years are as follows:

millions	
1984	$ 95.6
1985	244.3
1986	75.9
1987	97.0
1988	219.8

Notes to Consolidated Financial Statements continued

6 **Shareholders' Equity**

Share capital—

Authorized:

548	6% cumulative voting preference shares convertible into ordinary shares (1982—578)
Unlimited	1976 voting preferred shares issuable in series
Unlimited	1981 preferred shares issuable in series
Unlimited	Class A ordinary shares
Unlimited	Class B ordinary shares
5,000,000	Class C ordinary shares
Unlimited	Class D ordinary shares

millions		**1983**	1982
Issued and outstanding:			
548	6% preference shares (1982—578)	**$ .1**	$ .1
1,354,800	1976 8½% tax deferred preferred shares Series A (1982—1,389,100)	**33.8**	34.7
3,970,900	1981 $2.6875 cumulative redeemable shares Series A (1982—3,972,000)	**99.3**	99.3
8,000,000	1981 floating rate cumulative redeemable Series B and C	**200.0**	200.0
26,540,143	Ordinary shares (1982—26,465,943)	**188.0**	185.7
		521.2	519.8
Retained earnings		**738.8**	710.8
		$1,260.0	$1,230.6

(a) 1976 Preferred shares

The Series A and Series B 1976 preferred shares rank equally and are entitled to preference over the 1981 preferred shares and the ordinary shares on the declaration of dividends and on distribution or winding up.

The first series of preferred shares consists of 1,354,800 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A". The second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A share is convertible after April 15, 1988, into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders until 1988.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to $25.00. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of $1.00 per share reducing by $0.25 annually to 1987 and at $25.00 thereafter.

(b) 1981 Preferred Shares

The Series A, B and C 1981 preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution or winding up and rank junior to the 1976 preferred shares.

The 1981 Series A preferred shares are retractable at the option of the holder at par on May 15, 1986 and are redeemable by the Company on or after that date at a premium of $1.25 reducing by $0.25 annually to 1991 and at $25.00 thereafter.

These shares are subject to a maximum quarterly purchase obligation at prices up to $25.00 per share, cumulative annually and totalling 20,000 shares, to June 30, 1986 and thereafter to a quarterly maximum of 1%, 4% cumulative

annually, of the number outstanding at May 15, 1986.

The 1981 Series B and Series C preferred shares are retractable at a rate of 5% per annum commencing June 30, 1986 and, as to the remaining balance, on June 30, 1991.

The shares are entitled to dividends at a floating rate equal to one half of the average prime commercial lending rate plus 1½%.

(c) Ordinary shares

Number of Shares	**1983**	1982
Class A	**27,169,757**	26,781,459
Class B	**140,524**	176,461
Class C	**1,523,384**	1,801,545
Class D	**—**	—
Issued and outstanding	**28,833,665**	28,759,465
Less Class A convertible shares held by an associated company (cost—$25.2 million)	**2,293,522**	2,293,522
	26,540,143	26,465,943

The Class A, B, C and D ordinary shares rank equally in all respects except for the following:

Class A and Class B shares are fully interconvertible at the option of the holder.

Dividends on Class B shares may be paid by way of stock dividend.

Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years and are convertible into Class A shares at the option of the holder.

Class D shares are non-voting.

Changes in the number of Class A, B, C and D shares outstanding from year to year reflect shares issued upon the conversion of preference shares and conversions by the holders among the classes and shares issued under the Company's share purchase plans. In 1983 74,000 Class A shares were issued under such plans at an average price of $31.44.

7. **Income Taxes**

Non-capital losses in excess of $100.0 million are available to reduce such taxable income as may arise in the future.

8. **Commitments and Contingencies**

Westmin Resources is proceeding with development of the H-W Mine, Myra Falls, British Columbia at an estimated cost of $225.0 million for which financing has been arranged. As at December 31, 1983, $68.4 million had been expended.

Based on the latest actuarial valuations of the various retirement plans covering most employees in Canada, there are no major unfunded obligations for past service costs.

9. **Comparative Figures**

Certain of the prior year's accounts have been reclassified to conform with the 1983 presentation.

10. **Corporate Transactions**

In February 1983, Brascade Resources Inc. issued 827,586 common shares for $30.0 million to its principal shareholders—Brascan and the Caisse de dépôt et placement du Québec.

In March 1983, Westmin Resources Limited issued 3,600,000 common shares for $50.4 million.

In May 1983, Trilon Financial Corporation issued 4,000,000 Class A shares and warrants for $102.0 million.

In June 1983, John Labatt Limited issued $50.0 million of convertible debentures and Brascan subscribed for its $20.0 million pro rata share.

Notes to Consolidated Financial Statements continued

In June 1983, Scott Paper Company issued 5,366,667 shares for US$120.8 million and Brascan subscribed for 25% of the issue at a cost of US$30.2 million.

In August 1983, Brascade sold 553,812 convertible preferred shares of Noranda Mines Limited for $60.0 million cash.

On September 1, 1983 Brascade issued 6.3 million shares to Brascan and 2.8 million shares to the Caisse de dépôt et placement du Québec to acquire all of the common shares of Westmin Equities Limited whose assets included a 63% fully diluted common share interest in Westmin Resources and $100 million in cash.

On November 1, 1983 Trilon Financial Corporation completed the purchase of 49% of the outstanding shares of Royal Trustco. This purchase included Brascan's 18% interest therein for cash of $37.4 million, convertible preferred shares and common shares of Trilon.

Certain of these transactions gave rise to gains on disposal or dilution of the interest in the respective investments and these gains are included in investment and other income.

11. **Other Information**

(a) Segmented information for consolidated natural resource operations:

millions	1983	1982
Westmin Resources		
Gross operating revenue		
Petroleum	**$ 83.4**	$ 69.0
Mining	**34.0**	47.5
Other	**11.3**	8.4
	$128.7	$124.9

millions	1983	1982
Identifiable assets	**$625.2**	$444.5
Capital expenditures	**$ 68.1**	$ 77.2
Income for the year		
Westmin Resources	**$ 58.2**	$ 91.8
Noranda Mines	**(16.2)**	(35.7)
	$ 42.0	$ 56.1

(b) Income before unallocated expenses has been determined after the following:

millions	1983	1982
Equity in income of corporate investments	**$ 61.9**	$ 13.1
Dividend income	**26.0**	40.2
Gains on dilution and disposal of investments—net	**102.3**	92.2
Foreign exchange losses	**1.4**	1.6
Depreciation, depletion and amortization	**12.7**	8.8

millions	1983	1982
(c) Interest on debt with a term of less than one year	**$ 4.1**	$ 17.4
Deferred income and resource taxes	**28.4**	21.5

12. **Related Party Transactions**

The Company and certain of its affiliates arrange, without cost, investment transactions on behalf of other affiliates. In addition, financing transactions with affiliates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions by the Company and its affiliates. Minority interest and other investments include $190.0 million and $48.4 million respectively, which relate to affiliated companies.

Directors

Roberto Paulo Cezar de Andrade
President and Chief Executive Officer
Brascan Brazil

Edward M. Bronfman*
Deputy Chairman
Edper Investments Ltd.

Peter F. Bronfman*
Chairman of the Board
Edper Investments Ltd.

Jack L. Cockwell*
Executive Vice-President
Brascan Limited

Charles D. Dickey, Jr.
Chairman and Chief Executive Officer (Retired)
Scott Paper Company

Robert A. Dunford (director-elect)
Senior Vice-President
Brascan Limited

J. Trevor Eyton*
President and Chief Executive Officer
Brascan Limited

J. Peter Grace
Chairman and Chief Executive Officer
W. R. Grace & Co.

James (Jim) F. Grandy
President
Reisman and Grandy Limited

Lewis (Lew) B. Harder
Chairman of the Board
International Mining Corporation

Norman E. (Peter) Hardy*
Chairman of the Board
John Labatt Limited

John F. Kearney
Executive Vice-President
Northgate Exploration Ltd.

Patrick J. Keenan
Chairman of the Board
Keewhit Investments Limited

Paul M. Marshall
President and Chief Executive Officer
Westmin Resources Limited

Harold P. Milavsky
President and Chief Executive Officer
Trizec Corporation Ltd.

Earl H. Orser
President and Chief Executive Officer
London Life Insurance Company

Jaime Ortiz-Patiño*
President and Chief Executive
Patiño Investments S.A.

Sam Pollock
Chairman and President
Carena-Bancorp Inc.

Alfred (Alf) Powis
Chairman and Chief Executive Officer
Noranda Mines Limited

John A. Scrymgeour*
Chairman of the Board
Westburne International Industries Ltd.

Peter N. T. Widdrington
President and Chief Executive Officer
John Labatt Limited

Honorary Directors

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Toronto, Canada

A. William Farmilo
Calgary, Canada

Edward C. Freeman-Attwood
Rio de Janeiro, Brazil

John F. Gallagher
Chicago, U.S.A

Antonio Gallotti
Rio de Janeiro, Brazil

Frederic Y. McCutcheon
Toronto, Canada

*Executive Committee Member

Officers

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Chairman of the Board

Jaime Ortiz-Patiño
Vice-Chairman of the Board

J. Trevor Eyton
President and Chief Executive Officer

Jack L. Cockwell
Executive Vice-President

Gordon R. Cunningham
Senior Vice-President

Robert A. Dunford
Senior Vice-President

Lowell A. Allen
Vice-President and Secretary

Wendy M. Cecil-Stuart
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Edward C. Kress
Vice-President and Controller

Frank N. C. Lochan
Vice-President, Corporate Planning

Duncan A. McAlpine
Vice-President, Corporate Affairs

Robert P. Simon
Vice-President and Treasurer

Ross R. Sutherland
Vice-President

Robert G. Yeoman
Vice-President, Corporate Development

Keith E. MacInnes
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F. W. Orde Morton
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Annual Report

This annual report is printed on Cameo Dull paper produced by S.D. Warren Company, a division of Scott Paper Company.

Rapport Annuel

Si vous désirez recevoir un exemplaire en français de ce rapport, veuillez vous adresser au Secrétaire, Brascan Limited.

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Fernand Paré, Deputy Chairman
Paul M. Marshall, President

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Adam Zimmerman,
President and Chief Operating Officer

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Edward G. Thompson, President
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Peter N. T. Widdrington, President and
Chief Executive Officer

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Philip E. Lippincott, Chairman, President and
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Printed in Canada